

Senate Engrossed House Bill

**FILED**  
**MICHELE REAGAN**  
**SECRETARY OF STATE**

State of Arizona  
House of Representatives  
Fifty-second Legislature  
Second Regular Session  
2016

CHAPTER 235

# **HOUSE BILL 2234**

AN ACT

AMENDING SECTION 15-914, ARIZONA REVISED STATUTES; RELATING TO SCHOOL FINANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 15-914, Arizona Revised Statutes, is amended to  
3 read:

4 15-914. Financial and compliance audits

5 A. The governing board of a school district that is required to comply  
6 with the single audit act amendments of 1996 (P.L. 104-156; 110 Stat. 1396;  
7 31 United States Code sections 7501 through 7507) shall contract for at least  
8 annual financial and compliance audits of financial transactions and accounts  
9 subject to the single audit act amendments of 1996 and kept by or for the  
10 school district. The governing board of a school district that is not  
11 required to comply with the single audit act and that has adopted an  
12 expenditure budget of two million dollars or more for the maintenance and  
13 operation fund pursuant to section 15-905 shall contract for an annual  
14 financial statement audit. The governing board of a school district that is  
15 not required to comply with the single audit act and that has adopted an  
16 expenditure budget of less than two million dollars but more than seven  
17 hundred thousand dollars for the maintenance and operation fund pursuant to  
18 section 15-905 shall contract for a biennial financial statement audit. An  
19 independent certified public accountant shall conduct the audit in accordance  
20 with generally accepted governmental auditing standards. To the extent  
21 permitted by federal law, a school district that is required to participate  
22 in an annual audit pursuant to this subsection may convert to a biennial  
23 audit schedule if the previous annual audit did not contain any significant  
24 negative findings. If a biennial audit of a school district conducted  
25 pursuant to this subsection contains any significant negative findings, the  
26 school district shall convert back to an annual audit schedule. If a school  
27 district is required to convert back to an annual audit schedule pursuant to  
28 this subsection because of significant negative findings, the school district  
29 may subsequently convert to a biennial audit schedule if the previous two  
30 annual audits did not contain any significant negative findings. For the  
31 purposes of this subsection, "significant negative finding" means a finding  
32 that results in the issuance of a letter of noncompliance from the auditor  
33 general.

34 B. The governing board of a charter school that is required to comply  
35 with the single audit act amendments of 1996 shall contract for an annual  
36 financial and compliance audit of financial transactions and accounts subject  
37 to the single audit act amendments of 1996 and kept by or for the charter  
38 school.

39 C. A charter school that is not subject to the single audit act  
40 amendments of 1996 shall contract for at least an annual financial statement  
41 audit conducted in accordance with generally accepted governmental auditing  
42 standards. An independent certified public accountant shall conduct the  
43 audit.

44 D. For all audits referred to in subsections A, B and C of this  
45 section, the independent certified public accountant shall submit a uniform

1 system of financial records compliance questionnaire to the auditor general  
2 with the applicable audit reports. THE INDEPENDENT CERTIFIED PUBLIC  
3 ACCOUNTANT SHALL ALSO SEND A PAPER COPY OR ELECTRONIC COPY OF THE APPLICABLE  
4 AUDIT REPORTS TO THE COUNTY SCHOOL SUPERINTENDENT OF THE COUNTY WHERE THE  
5 SCHOOL DISTRICT IS LOCATED.

6 E. Contracts for all financial and compliance audits and financial  
7 statement audits and the completed audits shall be approved by the auditor  
8 general as provided in section 41-1279.21. Contracts for all financial and  
9 compliance audits and financial statement audits shall comply with the rules  
10 for competitive sealed proposals as prescribed by the state board of  
11 education in section 15-213.

12 F. If the school district or charter school will incur costs of  
13 financial and compliance audits for the budget year, the governing board of  
14 ~~a~~ THE school district or the governing body of the charter school may  
15 increase its base support level for the budget year by an amount equal to the  
16 amount expended for the district's or charter school's financial and  
17 compliance audits in the year before the current year, increased by the  
18 growth rate as prescribed by law, subject to appropriation. In determining  
19 the amount expended for the district's or charter school's financial and  
20 compliance audits, the school district or charter school shall include only  
21 the portion of the audit that must be paid from monies other than federal  
22 monies. The department of education and the auditor general shall prescribe  
23 a method for determining the increase in the base support level and shall  
24 include in the maintenance and operation section of the budget format, as  
25 provided in section 15-903, a separate line for financial and compliance  
26 audits expenditures.

27 G. Every audit contract shall include a systematic review of average  
28 daily membership, as defined in section 15-901, using methodology that is  
29 consistent with guidelines established by the auditor general. The auditor  
30 general shall consider cost when establishing guidelines pursuant to this  
31 subsection and, to the extent possible, shall attempt to minimize the cost of  
32 the review. The purpose of the review is to determine whether the average  
33 daily membership reported by the charter school or school district is in  
34 compliance with the laws of this state and the uniform systems of financial  
35 records for charter schools and school districts.

APPROVED BY THE GOVERNOR MAY 12, 2016.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 12, 2016.

Passed the House February 4, 2016

by the following vote: 57 Ayes,

0 Nays, 3 Not Voting

[Signature]  
Speaker of the House

[Signature]  
Chief Clerk of the House

Pro Tempore

Passed the Senate March 29, 2016

by the following vote: 28 Ayes,

0 Nays, 2 Not Voting

[Signature]  
President of the Senate

[Signature]  
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

~~This Bill received by the Governor this  
\_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_  
at \_\_\_\_\_ o'clock \_\_\_\_\_ M.  
\_\_\_\_\_  
Secretary to the Governor~~

~~Approved this \_\_\_\_\_ day of  
\_\_\_\_\_  
at \_\_\_\_\_ o'clock \_\_\_\_\_ M.  
\_\_\_\_\_  
Governor of Arizona~~

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

~~This Bill received by the Secretary of State  
this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_  
at \_\_\_\_\_ o'clock \_\_\_\_\_ M.  
\_\_\_\_\_  
Secretary of State~~

H.B. 2234

HOUSE CONCURS IN SENATE  
AMENDMENTS AND FINAL PASSAGE

May 6, 2016,

by the following vote: 55 Ayes,

0 Nays, 5 Not Voting



Speaker of the House



Chief Clerk of the House

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill was received by the Governor this

7 day of May, 2016,

at 1:18 o'clock A. M.

Valerie Hannon  
Secretary to the Governor

Approved this 12th day of

May, 2016,

at 9:47 o'clock A. M.

Jon Kyl & Jacey  
Governor of Arizona

H.B. 2234

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 13 day of May, 2016,

at 8:31 o'clock A. M.

Michelle Reagan  
Secretary of State